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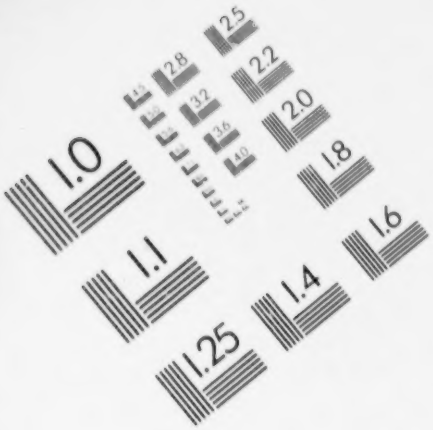

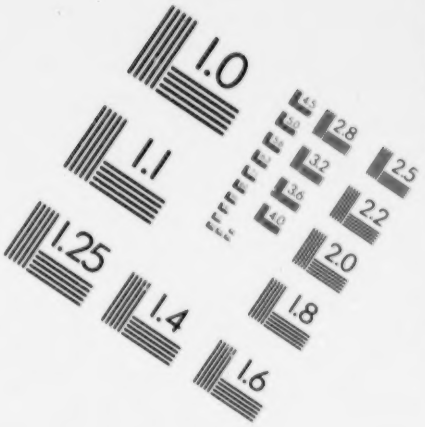

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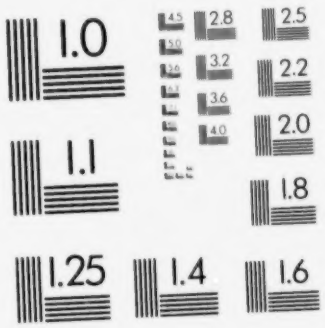

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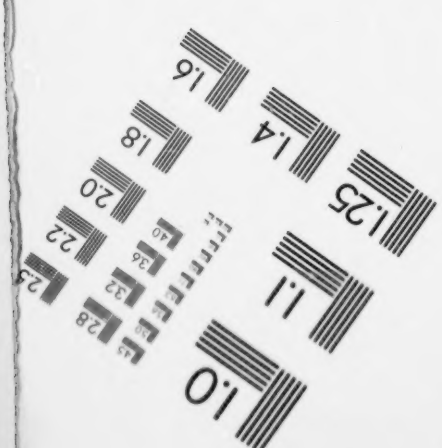

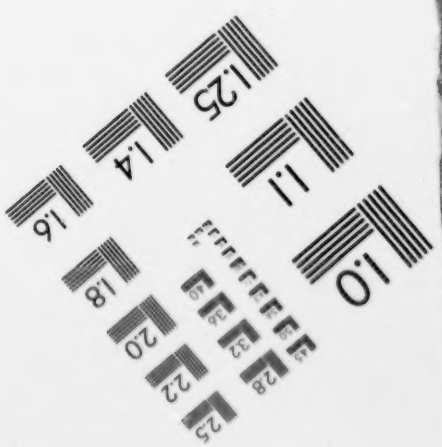

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UNICEF strategic plan: updated financial estimates, 2014-2017

Summary

A four-year financial framework forms part of the UNICEF strategic plan, which is presented, usually for a period of four years, in accordance with Executive Board decisions 2000/3 and 2013/20. The financial plan is reviewed and revised annually on a rolling basis. The current strategic plan covers 2014-2017.

Total revenue is forecast to be $4,034 million in 2014, a decline of 17 per cent from 2013. Revenue is projected to remain flat in 2015 and resume gradual growth thereafter. Total expenditures in 2014 are estimated at $4,278 million, exceeding revenue by $244 million. The deficit will be financed from cash balances. The planned expenditures will reduce cash balances but UNICEF will continue to meet prudent liquidity requirement.

This financial framework of revenue and expenditure estimates provides a basis for determining the level of regular resources programme submissions to be approved in 2015. Allocations of regular resources for country programmes during the period under review will be managed through the modified system for allocation of regular resources for programmes as revised by the Executive Board in its decisions 2007/15 and 2013/20.

UNICEF recommends that the Executive Board approve the framework of planned financial estimates for 2014-2017 and approve the preparation of programme expenditure submissions to the Executive Board of up to $1,247 million from regular resources in 2015, subject to the availability of resources and the continued validity of these planned financial estimates. A draft decision is included in section III.

* Reissued for technical reasons on 5 August 2014.
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Introduction

1. A four-year financial plan forms part of the UNICEF strategic plan in accordance with Executive Board decision 2000/3 and 2013/20 and is reviewed and revised annually on a rolling basis.

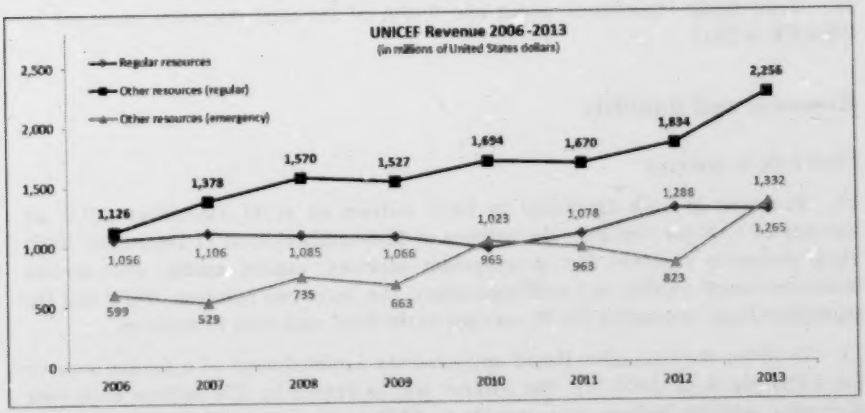
2. The financial plan is preceded by a review of the financial performance of UNICEF in the previous year, with highlights of the financial trends that evolved during a recent multi-year period. The purpose of the review is to provide key high-level information on revenue, expenditure and liquidity as a baseline to the financial plan.

I. Financial review, 2013

A. Revenue

3. Total revenue in 2013 was $4,853 million, reflecting an increase of $908 million over the 2012 income. The main source of revenue continues to be voluntary contributions from governments, private organizations and individuals, which accounted for 97 percent of total revenue. The remaining three percent of the revenue were generated by sale of greeting cards and products ($70 million), interest ($29 million), procurement services for partners ($46 million), and miscellaneous activities ($13 million).

4. While contributions to regular resources (unearmarked or "core" funds) decreased by 2 per cent in 2013, other resources (earmarked funds) experienced an unprecedented growth of $735 million, or 35 percent, in one year. In 2013, for the first time, private sector sources contributed more to core resources than governments did. Other resources regular (development) and other resources emergency increased by $422 million and $509 million, respectively.



5. The substantial increase of contributions to other resources in 2013, which was partly due to a generous funding to humanitarian programmes in the Philippines, Syrian Arab Republic, and Africa, further increased the share of other resources (earmarked) to total income while decreasing the share of core resources to total

income. In 2013, core resources accounted for 26 percent of total income, compared to 33 percent in 2012.

6. As in 2012, private sector donations accounted for nearly one third of UNICEF revenues in 2013. Contributions from the National Committees for UNICEF, which are non-governmental organizations that promote child rights in 36 industrialized countries and raise funds for UNICEF programmes worldwide, totalled $1.10 billion in 2013 — an increase of 28 percent over 2012 contributions.

B. Expenditure

7. Total expenditure amounted to $4,246 million in 2013, an increase of 9 per cent over 2012. Programme and development effectiveness represented 89 per cent of total UNICEF expenditure in 2013.

8. Further detailed analysis of 2013 financial performance is provided under chapter IV of UNICEF Financial Statements for 2013 as well as in the annual report of the Executive Director of UNICEF presented at the 2014 annual session of the Executive Board.

C. Trust funds

9. Trust funds are established mainly for services carried out on behalf of governments and other organizations for the procurement of vaccines and other commodities essential for the well-being of children.

10. Procurement services receipts more than doubled, from $593 million in 2006 to $1,561 million in 2013. This increase reflects the evolving opportunities that UNICEF has to shape the global market for vaccines and other child-related products and to achieve savings for partners and UNICEF.

11. Trust funds represented about one fourth of the total resources managed by UNICEF in 2013.

D. Reserves and liquidity

Cash held in reserves

12. Reserves in cash amounted to $437 million as at 31 December 2013, an increase of 13.8 per cent over the balance of $384 million as at 31 December 2012. They comprise reserves for: procurement services, capital assets, after-service health insurance (ASHI) and staff separation. The latter two reserves, ASHI and the separation fund, accounted for 98 per cent of the total cash held in reserves.

13. In 2003, the Executive Board approved the establishment of a funded reserve for ASHI (decision 2003/11). The reserve was increased by $30 million each year thereafter, and the balance was brought to $270 million as at 31 December 2011. Starting in 2012, UNICEF implemented a long-term strategy to fund the ASHI reserve through payroll charges. The ASHI reserve balance as at 31 December 2013 was $371 million, an increase of 15 per cent over the 31 December 2012 balance of $323 million. The latest actuarial study has valued ASHI liability at $816 million as

at 31 December 2013, a decrease of 14 per cent, compared to $950 million as at 31 December 2012.

14. In 2006, the Executive Board approved the establishment of a separation fund to cover separation and termination liabilities. The fund is built up on a monthly basis by the net of total contributions less payments made. There was an increase of $8 million in the reserve in 2013, from $51 million as at 31 December 2012 to $59 million as at 31 December 2013. The latest actuarial study has valued the end-of-service (repatriation, travel expenses and shipping costs) liability at $107 million.

Liquidity after reserves

15. Total available cash balance, excluding reserves, at the end of 2013 was $2,428 million: $575 million of regular resources and $1,853 million of other resources. Details are presented in tables 3 and 5.

16. Contributions for both other resources and trust funds are normally received before implementation begins and are governed by multi-year agreements.

17. The available cash balance in regular resources, excluding reserves, declined by about 10 per cent, from a high of $652 million in 2008 to $575 million in 2013.

18. In 2013, UNICEF met the requirement of a prudent level of liquidity for regular resources defined as the equivalent of expenditure for three to six months, or about $300 million to $600 million. This prudent guideline concurs with the general practice of non-profit organizations, including the United Nations community.

II. Planned financial estimates for 2014-2017

19. This section presents the projections of UNICEF financial resources in the period 2014 through 2017. It comprises revenue and expenditure projections, and the resulting cash balances for regular resources and other resources. Estimates for trust funds are also included. In line with decision 2013/20, the presentation of the planned financial estimates has been aligned with the format of the integrated resource plan as presented in the UNICEF integrated budget for 2014-2017 and presents planned use of resources grouped by the harmonized cost classification categories.

20. The financial projections provide a financial framework for the yearly phasing of estimated regular resources expenditure. In particular, it provides a financial context to future programme submissions to be made to the Executive Board.

A. Revenue

21. The present financial plan has been developed during a period of economic uncertainty. While children's needs increase during periods of economic hardships, the realities of fiscal austerity and high unemployment in many donor countries dictate prudent financial projections. Despite the ongoing difficult economic climate, UNICEF continues to be a partner of choice for donors.

22. After experiencing an unprecedented growth of 35 per cent in 2013, other resources revenue is projected to decline by 25 per cent in 2014. After 2014,

revenue is estimated to grow at modest rates between 1 to 3 per cent for period 2015-2017. Revenue estimates are provided in table 1 of the annex.

23. The share of private contributions in UNICEF total revenue is expected to increase in the medium term, from 30 per cent in 2013 to 36 per cent in 2017.

24. Regular resources revenue is expected to increase 6 per cent in 2014 and maintain a modest growth of between 1 to 5 per cent per year from 2015 onwards, primarily resulting from growth in private sector fundraising. Estimates of regular resources revenue are provided in table 1.

B. Expenditure

25. Despite the projected decline in total revenue in 2014, total expenditure is expected at planned levels in 2014. Smooth implementation of ongoing programmes will be allowed by financing the deficit with cash balances. If total revenue declines further in 2015, as forecasted, total expenditure will be adjusted downward in 2015 but would still be higher than revenue.

26. As shown in table 2, total estimated annual expenditure during the planning period will exceed the projected annual revenue. The resulting deficit will be funded from the balance accumulated in prior years when actual revenue was greater than planned.

Regular resources expenditure

27. The main components of regular resources expenditure are: (a) development activities comprising (i) programmes, and (ii) development effectiveness and accounting for 78 per cent of the total use of regular resources; (b) management activities accounting for 11 per cent; and (c) special purpose activities accounting for 11 per cent.

Programmes

28. As noted in the review of revenue performance, growth in other resources is outpacing growth in regular resources, with contributions of regular resources from donor governments having slowed down. While it is positive that UNICEF is succeeding in generating regular resources from the private sector, which in 2013 for the first time contributed more than donor governments, UNICEF hopes that donor governments will also continue to support and increase their regular resource contributions which provide UNICEF the maximum leverage and flexibility to support implementation of the strategic plan, 2014-2017. UNICEF will continue to further manage and reduce costs and look for ways to maximize value for money in order to sustain current levels of regular resources investment in country programmes.

29. If the conservative revenue projections under this plan are realized, UNICEF intends to increase the annual allocation of regular resources for programme assistance progressively from $900 million in 2014 to $1,123 million in 2017. Allocations of regular resources to country programmes will be managed according to the modified system for allocation, approved by the Executive Board in 2008 and revised in 2013 (decision 2013/20), which favours countries in greatest need.

Table 4 indicates how regular resources expenditures on approved, new and future proposals for programmes will be phased each year from 2014 through 2017.

30. At the beginning of 2014, regular resource expenditures for ongoing country programmes is estimated at $2,291 million. The amount of regular resources for programmes proposed to the Executive Board for approval in 2014 totals $914 million for programme cycles that start in 2015.

31. For 2015, the estimated amount of regular resources for programme proposals to be approved by the Executive Board is $1,247 million for programmes cycles that start in 2016. The level of planned programme expenditures will be continuously reviewed and adjusted based on updated information on projected revenue.

Institutional budget

32. At its second regular session of 2013, the Executive Board approved a four-year institutional budget of $2,094 million for the period 2014-2017 to support the UNICEF strategic plan, 2014-2017. The budget for development effectiveness, United Nations development coordination, management and special purpose (capital investments) costs is referred to as the institutional budget. It is funded from regular resources, other resources and cost recovery. The 2014-2017 institutional budget as approved is estimated to be funded 55 per cent from regular resources, 39 per cent from cost recovery and 6 per cent directly from other resources.

Cost recovery

33. At its first regular session of 2013, the Executive Board in its decision 2013/05 approved a new cost-recovery methodology and new rates and requested to apply these in the presentation of the 2014-2017 integrated budget proposal. The following two paragraphs provided information on the actual amount and use of cost recovery for period 2012-2013 and proposed for period 2014-2017.

34. For the 2012-2013 biennium an institutional budget for $966 million was approved and planned to be funded with $628 million from regular resources and $338 million from recoveries form other resources. Total expenditure against the approved institutional budget amounted to $924 million of which $571 million was funded from regular resources and $353 million from recoveries from other resources.

35. For the 2014-2017 period, UNICEF has started to apply the new cost-recovery methodology and rates as approved in decision 2013/5. In line with the approved cost-recovery methodology, cost recovery from other resources will fund the management and special purpose (capital investment) activities of the institutional budget. The proposed use of cost recovery is reflected in table 5.

Other resources expenditure

36. The projections of programme assistance expenditure funded by other resources, presented in table 5, reflect efforts to accelerate implementation. Actual other resources expenditure in 2013 was $540 million lower than revenue. Other resources expenditure in 2014 is projected to be 10 per cent greater than other resources revenue and this trend is expected to be maintained for period 2015-2017. The revenue-expenditure gap is financed from the balance of other resources carried over from previous years.

C. Funded reserves

37. The two largest funded reserves are for post-service staff liabilities. These reserves are: the separation fund for repatriation costs and accrued annual leave, and the ASHI fund. The total amount of funded for these reserves is projected to increase from $430 million in 2013 to $550 million in 2017, as shown in table 3.

38. Following discussions with the Executive Board in recent years and in preparation for implementation of the International Public Sector Accounting Standards, which will require the full reporting of after-service staff liabilities in the corporate financial statements, UNICEF has developed and is implementing a robust funding strategy for these liabilities. The strategy will ensure that, over time, the reserve for these liabilities is accumulated from the funding sources to which post costs are correctly attributed. UNICEF will continue to monitor the effectiveness of and make appropriate adjustments to the strategy as financial variables change.

D. Cash balance

39. The regular resources cash balance in 2014 is projected to be $575 million, which is equivalent to five to six months of disbursement. The regular resource cash balance is used as working capital to mitigate liquidity risk related to fluctuations in cash inflows. Unlike other resources, which are allocated to programmes when cash is received from a donor, regular resources allocations for country programmes are made in November for the following year before regular resources funds are received. Therefore, it is critical to have a working capital to start implementation while cash is awaited from donors. Best practice among development organizations is to maintain a working capital sufficient for three to six months of expenditures. In the case of UNICEF, those levels would translate to $300 million to $600 million. The projected working capital falls within that range, reaching $302 million by 2017, as indicated in table 3.

40. As part of efforts to accelerate programme implementation, other resources expenditure is projected to be greater than revenue for every year of the planning period 2014-2017. Therefore, the other resources cash balance is projected to decrease from $1,853 million in 2013 to $541 million in 2017.

III. Draft decision

41. UNICEF recommends that the Executive Board adopt the following draft decision:

The Executive Board

1. *Takes note* of the planned financial estimates for 2014-2017 as contained in document E/ICEF/2014/AB/L.5 as a flexible framework for supporting UNICEF programmes;

2. *Approves* the integrated resources framework of planned financial estimates for 2014-2017 and approves the preparation of programme expenditure submissions to the Executive Board of up to $1,247 million from regular resources

in 2015, subject to the availability of resources and the continued validity of these planned financial estimates;

3. *Requests* UNICEF to provide annual updates to the Executive Board on the progress of funding its reserves for staff liabilities.

Annex

Planned financial estimates tables[1]

1. UNICEF revenue estimates
2. Integrated resources plan: regular and other resources
3. UNICEF planned financial estimates — regular resources
4. Regular resources — yearly phasing of estimated expenditures for programme
5. UNICEF planned financial estimates — other resources
6. UNICEF planned financial estimates — trust funds: procurement services activities

[1] Tables may not add up exactly due to rounding.

Table 1
UNICEF revenue estimates
(in millions of United States dollars)

				Plan		
	Plan 2013	*Actual 2013**	*Estimate 2014*	*2015*	*2016*	*2017*
Regular resources						
Governments	610	587	654	630	630	630
Private sector	543	589	609	651	709	775
Other revenue	70	89	80	80	80	80
Total — regular resources	**1 223**	**1 265**	**1 343**	**1 361**	**1 419**	**1 485**
Growth percentage		-2%	6%	1%	4%	5%
Other resources						
Regular						
Governments	1 115	1 429	1 181	1 197	1 146	1 151
Private sector	540	653	544	581	641	691
Inter-organizational arrangements	126	174	192	188	194	178
Subtotal — programmes	**1 781**	**2 256**	**1 917**	**1 966**	**1 981**	**2 020**
Growth percentage		23%	-15%	3%	1%	2%
Emergencies						
Governments	623	977	548	512	501	501
Private sector	70	195	70	70	70	70
Inter-organizational arrangements	136	160	156	155	155	155
Subtotal — emergencies	**829**	**1 332**	**774**	**737**	**726**	**726**
Growth percentage		62%	-42%	-5%	-1%	0%
Total — other resources	**2 610**	**3 588**	**2 691**	**2 703**	**2 707**	**2 746**
Growth percentage		35%	-25%	0%	0%	1%
Total revenue	**3 833**	**4 853**	**4 034**	**4 064**	**4 126**	**4 231**
Growth percentage		23%	-17%	1%	2%	3%

* Actual 2013 growth in per cent is in comparison to 2012 actual.

Table 2
Integrated resource plan: regular resources and other resources
(in millions of United States dollars)

				Plan		
	Plan 2013	*Actual 2013*	*Estimate 2014*	*2015*	*2016*	*2017*
1. Resources available						
Opening balance	2 606	1 848	2 428	2 160	1 779	1 333
Income						
Contributions	3 763	4 764	3 954	3 984	4 046	4 151
Other income	70	89	80	80	80	80
Total income	3 833	4 853	4 034	4 064	4 126	4 231
Adjustment			-24	-24	-24	-24
Total available	**6 439**	**6 701**	**6 438**	**6 200**	**5 881**	**5 540**
2. Use of resources						
A Development						
A.1 Programmes	3 330	3 649	3 624	3 749	3 881	3 991
Country		*3 385*	*3 451*	*3 575*	*3 682*	*3 809*
Global and regional		*264*	*173*	*174*	*179*	*182*
A.2 Development effectiveness	130	118	133	139	145	151
Subtotal	**3 460**	**3 767**	**3 757**	**3 887**	**4 006**	**4 142**
B United Nations development coordination	**2**	**1**	**9**	**9**	**9**	**9**
C Management	**354**	**320**	**346**	**355**	**362**	**372**
D Special purpose						
D.1 Capital investments	12	11	13	14	14	14
D.2 Private-sector fundraising	132	114	109	111	114	117
D.3 Other	17	32	44	45	43	42
Subtotal	**162**	**157**	**166**	**170**	**171**	**173**
Institutional budget (A.2+B+C+D.1)	**499**	**451**	**501**	**516**	**531**	**547**
Integrated budget (A+B+C+D)	**3 978**	**4 246**	**4 278**	**4 421**	**4 568**	**4 697**
Closing balance of resources*	**2 461**	**2 428**	**2 160**	**1 779**	**1 333**	**843**
Funded reserves						
After-service health insurance	345	371	390	410	430	450
Separation and termination liabilities	60	59	70	80	90	100
Field office accommodation	7	6	5	4	3	2
Procurement services	2	2	2	2	2	2
Total	**414**	**437**	**467**	**496**	**525**	**554**

* Closing balance of resources represents total available cash balance excluding the funded reserves.

Table 3
UNICEF planned financial estimates — regular resources
(in millions of United States dollars)

				Plan		
	Plan 2013	*Actual 2013*	*Estimate 2014*	*2015*	*2016*	*2017*
1. Resources available						
Opening balance	701	443	575	575	504	417
Income						
Contributions	1 153	1 176	1 263	1 281	1 339	1 405
Other income	70	89	80	80	80	80
Total income	1 223	1 265	1 343	1 361	1 419	1 485
Adjustment			(24)	(24)	(24)	(24)
Total available	**1 924**	**1 708**	**1 894**	**1 912**	**1 899**	**1 878**
2. Use of resources						
A Development						
A.1 Programmes	810	787	900	977	1 041	1 123
Country		*770*	*855*	*932*	*996*	*1 078*
Global and regional		*17*	*45*	*45*	*45*	*45*
A.2 Development effectiveness	76	65	111	114	119	124
Subtotal	**886**	**852**	**1 011**	**1 091**	**1 160**	**1 247**
B United Nations development coordination	**2**	**1**	**5**	**5**	**5**	**5**
C Management	**213**	**187**	**146**	**151**	**155**	**161**
D Special purpose						
D.1 Capital investments	12	11	5	5	5	5
D.2 Private-sector fundraising	132	114	109	111	114	117
D.3 Other	17	32	44	45	43	42
Subtotal	**162**	**157**	**158**	**161**	**162**	**163**
Institutional budget (A.2+B+C+D.1)	**303**	**265**	**266**	**275**	**284**	**295**
Integrated budget (A+B+C+D)	**1 263**	**1 198**	**1 319**	**1 408**	**1 482**	**1 576**
Closing balance of resources*	**662**	**575**	**575**	**504**	**417**	**302**
Funded reserves						
After-service health insurance	345	371	390	410	430	450
Separation and termination liabilities	60	59	70	80	90	100
Field office accommodation	7	6	5	4	3	2
Procurement services	2	2	2	2	2	2
Total	**414**	**437**	**467**	**496**	**525**	**554**

* Closing balance of resources represents total available cash balance excluding the funded reserves.

Table 4

Regular resources — yearly phasing of estimated expenditures for programme

(in millions of United States dollars)

	2014	*2015*	*2016*	*2017*	*Beyond 2017*	*Total recommendations*
Programme						
1. Country programmes approved in prior years	757	664	478	362	29	2 291
2. New country programmes to be submitted to 2014 Executive Board sessions		164	176	191	382	914
3. New country programmes to be prepared for 2015 Executive Board sessions			233	253	760	1 247
4. New country programmes to be prepared for future Executive Board sessions				157	628	785
5. Amount set aside	60	65	70	76		
6. Estimated allocation of net revenue from sale of greeting cards in countries with UNICEF programmes	3	3	3	3		
Subtotal	**820**	**897**	**961**	**1 043**		
7. Additional emergency requirements	35	35	35	35		
Subtotal	**855**	**932**	**996**	**1 078**		
8. Global and regional programme	45	45	45	45		
Total — Programme	**900**	**977**	**1 041**	**1 123**		

Table 5
UNICEF planned financial estimates — other resources
(in millions of United States dollars)

				Plan		
	Plan 2013	*Actual 2013*	*Estimate 2014*	*2015*	*2016*	*2017*
1. Resources available						
Opening balance	1 905	1 405	1 853	1 585	1 275	916
Income						
Contributions	2 610	3 588	2 691	2 703	2 707	2 746
Total income	2 610	3 588	2 691	2 703	2 707	2 746
Total available	**4 515**	**4 993**	**4 544**	**4 288**	**3 982**	**3 662**
2. Use of resources						
A Development						
A.1 Programmes	2 520	2 862	2 724	2 772	2 820	2 868
Country		*2 615*	*2 596*	*2 643*	*2 686*	*2 731*
Global and regional		*247*	*128*	*129*	*134*	*137*
A.2 Development effectiveness	54	53	22	24	26	28
Subtotal	**2 574**	**2 915**	**2 746**	**2 796**	**2 846**	**2 896**
B United Nations development coordination	–	–	4	4	4	4
C Management**	**142**	**133**	**200**	**204**	**207**	**211**
D Special purpose						
D.1 Capital investments**	–	–	9	9	9	9
D.2 Private-sector fundraising	–	–	–	–	–	–
D.3 Other	–	–	–	–	–	–
Subtotal	–	–	**9**	**9**	**9**	**9**
Institutional budget (A.2+B+C+D.1)	**195**	**186**	**235**	**241**	**247**	**252**
Integrated budget (A+B+C+D)	**2 715**	**3 048**	**2 959**	**3 013**	**3 067**	**3 120**
Closing balance of resources*	**1 800**	**1 853**	**1 585**	**1 275**	**916**	**541**

* Closing balance of resources represents total available cash balance.
** Amounts reflect use of other resources cost recovery to fund management and capital investments.

Table 6
UNICEF planned financial estimates — trust funds: procurement services activities
(in millions of United States dollars)

			Plan		
	Actual 2013	*Estimate 2014*	*2015*	*2016*	*2017*
1. Opening balance	569	585	757	821	817
2. Receipts	1 561	1 913	1 964	1 893	1 965
3. Disbursements	1 545	1 741	1 900	1 897	1 949
4. Closing balance	585	757	821	817	833

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Private fundraising: financial report for the year ended 31 December 2013

Summary

This document presents the financial results achieved by the UNICEF Private Fundraising and Partnerships Division (PFP) for the year ended 31 December 2013.

Total private sector revenue for the year was $1.26 billion, of which $70 million was from the sale of cards and products and $1.19 billion from fundraising and other revenue. After deducting the cost of sales for cards and products ($24 million) as well as PFP expenses ($110 million), the net PFP revenue was $1.13 billion. This was $198 million (21 per cent) more than the total planned target of $932 million and $227 million (25 per cent) more than the $903 million generated in 2012, and comprises $453 million of regular resources: $437 million from private fundraising; $16 million from sales of UNICEF cards and products; and $677 million from fundraising for other resources.

* E/ICEF/2014/14.

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Overview of the 2013 results

1. The Private Fundraising and Partnerships Division (PFP) coordinates all private fundraising and sales activities of UNICEF, manages strategic relationships with the National Committees for UNICEF, provides guidance for child rights advocacy activities in industrialized countries, and supports the organization's corporate partnership and engagement function.

2. Total private sector revenue for 2013 from fundraising and sales activities of 36 National Committees and 50 country offices was $1.26 billion. After deducting the cost of sales for the cards and products of $24 million as well as PFP expenses totalling $110 million, the net PFP revenue remaining was $1.13 billion. This was $198 million (21 per cent) more than the approved budget of $932 million.

Table 1

	National Committees PSFR & Other RR	*Other PSFR RR*	*Cards & Products Proceeds*	*Non-Cards & Products PFP expenses*	*Total RR*	*National Committees PSFR OR*	*Other PSFR OR*	*Total PSFR OR*	*Grand total*
	(In millions of United States dollars)								
Private Sector Revenue	503	15	70		588	575	102	677	1 265
Cost of sales			-24		-24				-24
PFP expenses			-29	-81	-110				-110
Net PFP revenue	**503**	**15**	**16**	**-81**	**453**	**575**	**102**	**677**	**1 130**

3. The PFP net revenue of $1.13 billion is comprised of $453 million for regular resources: $437 million from private fundraising; $16 million from sales of UNICEF cards and products; and $677 million from private fundraising for other resources.

4. PFP net revenue for 2013 compares as follows to the 2013 budget and 2012 actuals:

Table 2

	(In millions of United States dollars)		
	2013		*2012*
	Actual	*Budget*	*Actual*
Private fundraising — regular resources	437.2	412.6	426.6
Sale of UNICEF cards and products	16.1	7.4	17.5
Total regular resources net revenue	**453.3**	**420.0**	**444.1**
Private fundraising — other resources	677.0	512.0	459.0
Total net revenue	**1 130.3**	**932.0**	**903.1**

5. The total PFP net revenue was $227 million more than in 2012. This was primarily because contributions from private fundraising for other resources was $218 million (48 per cent) more than the $459 million raised the previous year. This is due to significant funding received for the Philippines emergency after a remarkable response from the private sector.

6. The increase in regular resources, which rose by $9 million, from $444 million in 2012 to $453 million in 2013, also contributed to the overall positive variance. This was offset by a decrease in the cards and products net income of $1 million, from $17 million in 2012 to $16 million in 2013.

Contributions from private fundraising — regular and other resources

7. Total contributions from private fundraising in 2013 (after deduction of National Committee expenses) were $1.19 billion ($514 million Private Fundraising Regular Resources and $677 million Private Fundraising Other Resources), compared to the budgeted $484 million regular resources and $512 million other resources, resulting in an overall positive variance of $195 million (20 per cent).

8. The better-than-budgeted performance in fundraising for regular resources was largely due to the strong performance of regular monthly giving (pledge), with a 14.3 per cent increase in the number of UNICEF pledge donors, rising from 3.1 million at the end of 2012 to 3.6 million by the end of 2013. This robust performance was delivered through the continued organizational focus on pledge, investment in pledge programmes and the development of new Pathways to Pledge techniques, such as giving via SMS/text message. UNICEF fundraisers were able to significantly increase the number of new donors while working hard to retain existing donors and increasing the average pledge amount.

9. As mentioned above, the fundraising results for other resources were more than budgeted, amounting to $677 million compared to the budgeted $512 million. Other resources for emergencies reached $195 million, 205 per cent higher than planned, primarily due to the generous private sector response to the Typhoon Haiyan emergency in the Philippines.

Sale of UNICEF cards and products

10. Overall, net revenue from sales and licensing of UNICEF cards and products was significantly better than budgeted, namely $16 million compared to the budget of $7 million. Gross proceeds continued to decline in 2013, but this loss was partially offset by lower than budgeted sales direct expenses; direct expenses were $22 million, compared to $32 million budgeted.

11. Gross proceeds from UNICEF cards and products sales include the following: (a) gross proceeds from the sale of UNICEF-supplied cards and products; (b) catalogue donations (contributions generated through PFP brochures and order forms); (c) royalty revenue, including all revenue received from licensed products; and (d) National Committee products, originating from the sale of products sourced by National Committees.

Table 3

	(In millions of United States dollars)						
				Increase decrease			
				2013 actual vs. budget		*2013 vs. 2012*	
	2013 Actual	*2013 Budget*	*2012 Actual*	*$*	*%*	*$*	*%*
Gross proceeds — cards and products	57.1	64.5	69.2	-7.4	-11.5	-12.1	-17.5
Catalogue donations	3.1	3.8	3.1	-0.7	-17.2	0.0	1.4
Royalties	4.1	7.3	5.3	-3.2	-43.7	-1.2	-22.5
National Committee products	5.3	3.1	3.1	2.2	71.2	2.2	71.2
Total	**69.6**	**78.7**	**80.7**	**-9.1**	**-11.6**	**-11.1**	**-13.7**

12 Gross proceeds from the sale of cards and products were $7 million (11.5 per cent) lower than budgeted. This lower-than-budgeted performance is a direct consequence of the discontinuation of sales activities of UNICEF-sourced products in 14 countries following the decision to phase out the in-house centralized cards and products operations. The decrease is in line with the industry trend of declining greeting card sales on a global basis. Royalties of $4 million were $3 million below budget, whereas proceeds from the sale of National Committee products increased by $2 million (71.2 per cent) compared to budget. This is primarily due to a change in reporting: the sale of goods sourced directly from licensees were budgeted for as royalties, but are now reported as National Committee products.

13. Compared to 2012, total gross proceeds from the sale of cards and products declined by $11 million (14 per cent), from $81 million in 2012 to $70 million in 2013. This was primarily due to a $12 million decline in the sale of UNICEF-sourced cards and products (for the reasons described above), although proceeds from National Committee products increased by $2 million to $5 million.

Table 4

	2013				*2012*		*2013*	*2013 vs. 2012*
	Actual	*%*	*Budget*	*%*	*Actual*	*%*	*Actual vs. Budget*	*Actual*
Gross proceeds	69.6	100	78.7	100	80.7	100	-11.6	-13.8
National Committees sales expenses	15.5	22.3	19.6	24.9	24.0	29.7	-20.9	-35.4
Net proceeds	**54.1**	**77.7**	**59.1**	**75.1**	**56.7**	**70.3**	**-8.5**	**-4.6**
PFP direct sales expenses	21.6	31.0	32.0	40.7	23.2	28.7	-32.5	-6.9
Investment funds — sales	0.2	0.3	1.3	1.7	0.6	0.7	-84.6	-66.7
Direct contribution from sales	32.3	46.4	25.8	32.8	32.9	40.8	25.2	1.8

14. Net proceeds from the sale of UNICEF cards and products were $5 million (8.5 per cent) below budget, due to the discontinuation of sales activities of

UNICEF-sourced products in 14 countries, as explained above. The net proceeds margin from National Committees improved from 70.3 per cent in 2012 to 77.7 per cent in 2013 (compared to 75.1 per cent budgeted). This is due to the fact that most National Committees exiting the UNICEF-sourced cards and products business in 2013 had already incurred one-off costs during 2012; the impact was therefore seen in the deterioration in net margins in that year.

15. The negative variance in net proceeds from the sale of cards and products was offset by cost savings in PFP sales direct expenses, which were $10 million (-32.5 per cent) lower than the approved budget of $32 million. Underspends in costs were due to (a) the $5 million (-35 per cent) variance in the cost of goods and inventory overhead as a result of the decrease in sales of UNICEF-sourced cards and products; (b) the $4 million (-31 per cent) variance in operations and support costs related to the cards and products business due to lower freight expenses achieved via the elimination of high-cost distribution channels, for example air freight, and (c) the $2 million (-38 per cent) variance in the actual costs of promotional materials.

Investment funds expenses

16. To enable PFP to mobilize resources more effectively through private fundraising and sales activities, the Executive Board in 2013 approved a budget of $37 million for investment fund allocations. These funds aim to increase the capacity of National Committees and UNICEF country offices to build a broader support base for raising funds from individuals and the corporate sector, and to test and evaluate new income-generating initiatives, focusing primarily on projects offering high rates of return. In 2013, the total expenses for investment funds were $41 million, compared with $38 million in 2012. The increase in the actual expense is due to the reallocation to investment funds of some of the savings in the costs of cards and products (see paragraph 15 above); this was done in order to leverage fundraising opportunities that existed following the response to the Philippines emergency. The funds were invested in 93 activities in 43 countries, whereas in 2012 investments were made in 119 activities in 44 countries. The investments in 2013 are expected to generate a return of over four dollars for every one invested, returning $157 million in gross revenue over the next three years. Of the total investment funds' expenses, $41 million was invested in fundraising development programmes, with over 94 per cent allocated to projects that support a growth in pledge. These included television advertising, face-to-face donor recruitment, and telephone marketing.

Indirect expenses

17. PFP indirect expenses totalled $52 million in 2013, $8 million (13 per cent) less than the approved budget of $60 million and $4 million (9 per cent) more than the 2012 total of $48 million. The underspend against budget was due mainly to (a) an underspend on PFP headquarters posts of $6 million due to the variance between standard costs and actual costs, and the vacancy of many posts that were deliberately not filled pending the realignment of functions and structure of PFP and confirmation regarding which posts or skills would be needed to achieve the planned results in the Private Fundraising and Partnerships Plan 2014-2017; (b) an underspend of $1 million for regional support centres that was mainly due to the unutilized budget allocated to posts; and (c) a $1 million positive variance on the

bad debt budget as a result of the reversal of amounts provided against in 2012 that were received in 2013.

Other PFP revenue

18. Other PFP revenue, from financial operations and from bank interest and other revenue from National Committees, was lower than budgeted ($4 million compared to the $9 million budget) due to the continued pressure on interest rates in most European countries.

PFP foreign exchange loss

19. In 2013, PFP had a total foreign exchange loss of $1 million, realized on settlement of prior year receivables relating to sales (in 2012 the exchange loss was $2 million). This was primarily due to the strengthening of currencies against the United States dollar at the time of the remittance of funds to UNICEF, compared to the exchange rates at the end of the year when the revenue was accrued.

Basis of preparation of PFP financial report

20. All revenue figures in this report are stated on an accruals basis.

Revenue and Expenses

(In millions of United States dollars)

	2013 Actual					2013 Budget					2012 Actual					Variance			
																2013 Actual vs 2013 Budget		2013 vs 2012 Actual	
	Cards and Products Sales	Private FR-RR	Total RR	Private FR-OR	Grand total 2013 actual	Cards and Products Sales	Private FR-RR	Total RR	Private FR-OR	Grand total 2013 budget	Cards and Products Sales	Private FR-RR	Total RR	Private FR-OR	Grand total 2012 actual	Amount	%	Amount	%
Operating revenues																			
Gross proceeds	69.6					78.7					80.7								
National Committees sales expenses	15.5					19.6					24.0								
Net proceeds	**54.1**	**514.1**	**568.2**	**677.0**	**1 245.2**	**59.1**	**483.9**	**543.0**	**512.0**	**1 055.0**	**56.7**	**494.6**	**551.3**	**459.0**	**1 010.3**	**190.2**	**18%**	**234.9**	**23%**
Direct expenses																			
Cost of goods and inventory overhead	8.4	–	8.4		8.4	13.0		13.0		13.0	7.6	–	7.6		7.6	(4.6)	-35%	0.8	11%
Operations and support	9.1	0.5	9.6		9.6	13.2	0.6	13.8		13.8	9.5	0.5	10.0		10.0	(4.2)	-30%	(0.4)	-4%
Promotional materials	2.6	–	2.6		2.6	4.2		4.2		4.2	4.5	–	4.5		4.5	(1.6)	-38%	(1.9)	-42%
Country office expenses	1.5	2.4	3.9		3.9	1.6	2.5	4.1		4.1	1.6	1.8	3.4		3.4	(0.2)	-5%	0.5	15%
Total direct expenses	**21.6**	**2.9**	**24.5**	**–**	**24.5**	**32.0**	**3.1**	**35.1**	**–**	**35.1**	**23.2**	**2.3**	**25.5**	**–**	**25.5**	**(10.6)**	**-30%**	**(1.0)**	**-4%**
Investment funds	0.2	41.0	41.2		41.2	1.3	36.1	37.4		37.4	0.6	37.8	38.4		38.4	3.8	10%	2.8	7%
Direct contribution from operations	**32.3**	**470.2**	**502.5**	**677.0**	**1 179.5**	**25.8**	**444.7**	**470.5**	**512.0**	**982.5**	**32.9**	**454.5**	**487.4**	**459.0**	**946.4**			**233.1**	**25%**
Indirect expenses																			
Director's Office, Communication, Corporate Social Responsibility	0.5	5.9	6.4		6.4	0.5	6.5	7.0		7.0	0.6	5.6	6.2		6.2	(0.6)	-9%	0.2	3%
Finance and administration	7.4	7.9	15.3		15.3	7.7	8.9	16.6		16.6	7.4	8.4	15.8		15.8	(1.3)	-8%	(0.5)	-3%
Marketing and Fundraising	5.8	16.0	21.8		21.8	8.3	16.2	24.5		24.5	5.8	13.9	19.7		19.7	(2.7)	-11%	2.1	11%
National Committee Relations	1.3	5.1	6.4		6.4	1.9	6.5	8.4		8.4	1.5	4.8	6.3		6.3	(2.0)	-24%	0.1	2%
Regional support centres	–	2.1	2.1		2.1	0.5	2.4	2.9		2.9	0.2	1.3	1.5		1.5	(0.8)	-28%	0.6	40%
Bad debts expense	(0.1)	–	(0.1)		(0.1)	0.5		0.5		0.5	(1.9)	–	(1.9)		(1.9)	(0.6)	-118%	1.8	-95%
Total indirect expenses	**15.0**	**37.0**	**51.9**	**–**	**51.9**	**19.4**	**40.5**	**59.9**	**–**	**59.9**	**13.6**	**34.0**	**47.6**	**–**	**47.6**	**(8.0)**	**-13%**	**4.3**	**9%**
PFP Revenue before non-operating items	**17.4**	**433.2**	**450.6**	**677.0**	**1 127.6**	**6.4**	**404.2**	**410.6**	**512.0**	**922.6**	**19.3**	**420.5**	**439.8**	**459.0**	**898.8**	**205.0**	**22%**	**228.8**	**25%**
Non-operating items																			
Other revenue	–	4.0	4.0		4.0	1.0	8.4	9.4		9.4	0.6	6.1	6.7		6.7	(5.4)	-57%	(2.7)	-40%
Foreign exchange gains (losses)	(1.3)	–	(1.3)		(1.3)					–	(2.4)	–	(2.4)		(2.4)	(1.3)			
PFP revenue after non-operating items	**16.1**	**437.2**	**453.3**	**677.0**	**1 130.3**	**7.4**	**412.6**	**420.0**	**512.0**	**933.0**	**17.5**	**426.6**	**444.1**	**459.0**	**903.1**	**198.3**	**21%**	**227.2**	**25%**

FR — fundraising RR — regular resources OR — other resources